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IN THE UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF ARIZONA

In re
MORTGAGES LTD.,
Debtor.
ML MANAGER LLC, an Arizona
limited liability company,
Plaintiff,
v.
WILLIAM L. HAWKINS as Trustee of
the CORNERSTONE REALTY AND
DEVELOPMENT, INC. DEFINED
BENEFIT PLAN AND TRUST, et al.;
Defendants.
WILLIAM L. HAWKINS as Trustee of
the CORNERSTONE REALTY AND
DEVELOPMENT, INC. DEFINED
BENEFIT PLAN AND TRUST, *et al.*
Counterclaimants,
v.
ML MANAGER LLC, an Arizona
limited liability company,
Counterdefendant.

Chapter 11
Case No. 2:08-bk-07465-RJH
Adv. Pro. No. 2:10-ap-00430-RJH
Consolidated with Adv. No. 2:10-ap-00717
DEFAULT JUDGMENT

Pursuant to Rule 55(b)(2) Federal Rules of Civil Procedure, made applicable by
Rule 7055, Federal Rules of Bankruptcy Procedure, and for good cause appearing, the

1 Court hereby enters judgment against Melvin Dunsworth as Trustee of the Revocable
2 Living Trust of Melvin L. Dunsworth, Jr. granting judgment for Plaintiff (“ML Manager”)
3 under its Verified Complaint for Declaratory Judgment on the Enforceability of the
4 Agency Agreements (“ML Manager’s Declaratory Judgment Claim”) (Docket No. 1 filed
5 in the Hawkins Adversary”) (the “Verified Complaint”).

6 This Judgment is based on: (1) the Pleadings of record and exhibits attached
7 thereto in Hawkins Adversary including the Verified Complaint (Docket No. 1), the Entry
8 of Default against Mr. Dunsworth (Docket No. 97); (2), the Court’s judicial notice of the
9 filings and matters of record in the Hawkins Adversary, including the briefing and
10 argument on ML Manager’s Application for an Order to Show Cause (*See* Docket Nos. 2,
11 13), the Rev-Op Group’s Motion for Partial Summary Judgment (*See* Docket Nos. 58, 59,
12 80, 81, 84, 92), and ML Manager’s Motion for Judgment on the Pleadings (*See* Docket
13 Nos. 86, 95, 96); and (3) the Court’s judicial notice of the filings, matters of record and
14 argument from the general bankruptcy case *In re Mortgages, Ltd.* (the “Debtor”), filed on
15 June 20, 2008, Case No. 2:08-bk-07465-RJH (the “ML Bankruptcy”) and all associated
16 cases filed before or heard by this Court.

17 To the extent applicable, this Judgment incorporates the findings and facts and
18 conclusions of law set forth in this Court’s Declaratory Judgment entered July 27, 2010
19 against the Rev-Op Group (Docket No. 105) (the “Rev-Op Judgment”). The Court
20 intends that this Judgment has the same effect as the Rev-Op Judgment.

21 Accordingly, IT IS HEREBY ORDERED, ADJUDGED AND DECREED that ML
22 Manager have judgment on its Declaratory Judgment Claim as set forth in the Verified
23 Complaint. The Court declares that the Agency Agreements created an agency (the “Loan
24 Management Agency”) for the Debtor to manage the ML Loans, as that term is defined by
25 the Plan. The Loan Management Agency is an agency coupled with an interest, and that
26 agency it is irrevocable. The Loan Management Agency was capable of and properly
27 assigned to ML Manager. Mr. Dunsworth’s became bound by the Agency Agreements.

28 IT IS FURTHER ORDERED, ADJUDGED AND DECREED that the scope of

1 ML Manager's agency under the Loan Management Agency is set forth in the Agency
2 Agreement, except as restricted or modified, if at all, in the Plan and Confirmation Order.
3 Specifically, the Court declares that ML Manager has the authority, subject to provisions
4 of the Plan and Confirmation Order and a possible review by the Court under a business
5 judgment standard, to:

- 6 (i) Sell or liquidate any investor's interest, which includes Mr.
7 Dunsworth's interest, in the ML Loans if the investor owns less than
8 100% interest in any Loan,
- 9 (ii) Initiate and complete a judicial or non-judicial foreclosure or trustee's
10 sale of property secured by the ML Loans,
- 11 (iii) Settle, compromise or modify the terms of the ML Loans or guarantees
12 associated with the ML Loans pursuant to the terms of the Agency
13 Agreement and the Plan,
- 14 (iv) Initiate and complete a sale of real property in which Mr. Dunsworth
15 has an interest provided that more than one investor has an interest in
16 such property, and
- 17 (v) Incur and seek to recover from Mr. Dunsworth's in a proportionate,
18 non-discriminatory, fair and equitable manner any costs and expenses
19 associated with the management of the ML Loans including, if
20 necessary in ML Manager's reasonable discretion, additional
21 indebtedness.

22 The Grant of Discretion Provision in some versions of the Subscription Agreement does
23 not alter these conclusions.

24 DATED AND SIGNED ABOVE

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